

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Hayes Township	County Clare
Audit Date 6/30/04	Opinion Date 1/14/05	Date Accountant Report Submitted to State: 1/31/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Page, Olson & Company, P.C., CPA's			
Street Address 2865 South Lincoln - P.O. Box 368	City Mt. Pleasant	State MI	ZIP 48808-0368
Accountant Signature 		Date 1/31/05	

HAYES TOWNSHIP, CLARE COUNTY

STATE OF MICHIGAN

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2004

HAYES TOWNSHIP, CLARE COUNTY
YEAR ENDED JUNE 30, 2004

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**HAYES TOWNSHIP, CLARE COUNTY
TOWNSHIP OFFICIALS
YEAR ENDED JUNE 30, 2004**

SUPERVISOR

Gerald B. Litke

CLERK

Mary Ann Reed

TREASURER

Elizabeth Wilson

TRUSTEES

Robert Hale

Lee Dancer



PAGE

OLSON &

COMPANY P.C.

INDEPENDENT AUDITORS' REPORT

January 14, 2005

Township Board
Township of Hayes
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Hayes as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the Summary of Significant Accounting Policies, Note 1-C, the Township prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Consequently, revenue and the related assets are recognized only when received and expenditures are recognized only when paid.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Hayes as of June 30, 2003, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1-C.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 8 and 25 through 29 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Township Board
Township of Hayes
Clare County, Michigan

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Township of Hayes basic financial statements. The financial information identified in the table of contents as Other Supplemental Information and included in the report is reported for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Hayes. Such information relative to June 30, 2004 and for the year then ended, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1-C. Such information relative to June 30, 2003 and for the year then ended was subjected to auditing procedures applied in the audit of the general purpose financial statements for the year ended June 30, 2003 and is presented here for comparison purposes only.

Our report of comments and recommendations is included herein and forms a part of this report.

Page, Olson & Company

**HAYES TOWNSHIP, CLARE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

New Financial Reporting

Starting with fiscal year 2004, the Township of Hayes has revised its financial reporting document. These changes are a result of new standards provided by the Governmental Accounting Standards Board (GASB). The intent of the new standards is to provide citizens, taxpayers, customers, and investors with a better understanding of how the Township's assets are managed.

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the year ended June 30, 2004. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2004:

State shared revenue, our largest single source of revenue in the General Fund, was reduced by the State of Michigan by approximately \$16,700. This reduction was the result of changes in the formula used by the State and decrease in sales tax revenues collected by the State.

General Fund fund balance decreased by \$68,699.

Using this Annual Report

This discussion and analysis are intended to serve as an introduction of the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as cash is either collected or paid as is consistent with the cash basis of accounting employed by the Township.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works, health & welfare, recreation & culture, and Debt Service. The Township does not currently have any business-type activities.

The government-wide financial statements can be found on pages 9 and 10 of this report.

**HAYES TOWNSHIP, CLARE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

The Township maintains 5 individual governmental funds all of which are considered to be major funds. Information is presented separately in the governmental fund statement of assets and liabilities arising from cash transactions and in the governmental fund statement of revenue collected, expenditures paid, and changes in cash basis fund balance for the all 5 governmental funds.

The Township adopts an annual appropriated budget for its general fund and all special revenue fund types. Budgetary comparison statements have been provided in the supplemental section of the report to demonstrate the extent of compliance with these budgets.

The basic governmental fund financial statements can be found on pages 11 and 12 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. Currently the Township has 2 funds that are agency type funds.

The basic fiduciary fund financial statements can be found on page 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 21 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information in connection with general fixed asset, which are not reported on the statement of net assets as is consistent with the cash basis of accounting. Additionally, detailed information on the General Funds expenditures by object account is also presented as other supplemental information. These schedules can be found on pages 33 through 41 of this report.

Government-wide Financial Analysis

The following table shows, in condensed format, the net assets of the Township as of June 30, 2004. A comparative analysis will be presented in future years when the information is available.

Total Assets	\$ 927,870
Total Liabilities	173
Net Assets	
Restricted for Debt Service	28,164
Unrestricted	<u>899,533</u>
Total Net Assets	<u>\$ 927,697</u>

**HAYES TOWNSHIP, CLARE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

The Township's total net assets were \$927,697 at June 30, 2004. Of that balance, \$28,164 was restricted to pay up coming Note payments and \$899,533 was available for general operations. The management's discussion and analysis will present a condensed comparative statement of net assets in the next year when we have two years of statements in the GASB 34 reporting format.

The following table shows the changes in net assets during the year ended June 30, 2004. Comparative data is not required in the first year of reporting under the new GASB format.

Revenue

Program Revenue	
Charges for Services	\$ 298,915
Operating Grants/Contributions	1,000
General Revenue	
Property Taxes	305,517
Revenue Sharing	377,226
Interest and Dividends	8,341
Other	<u>3,233</u>
Total Revenue	994,232

Program Expenses

Legislative	11,411
General Government	251,164
Public Safety	57,885
Public Works	465,904
Recreation and Culture	103,005
Highways and Streets	57,000
Other Functions	85,904
Debt Service	<u>22,970</u>
Total Program Expenses	<u>1,055,243</u>

Changes in Net Assets	<u>\$ (61,011)</u>
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As reported in the statement of activities, the cost of the Township's governmental activities this year was \$1,055,243. Certain activities were partially funded from those who benefited from the programs through charges for services (\$298,915). The balance of the expenses were paid for with taxes (\$305,518), state shared revenue (\$377,226), and other revenues such as interest along with pulling from past surplus's (net assets of \$61,011).

Governmental Fund Financial Analysis

The governmental funds reported a combined fund balance of \$927,697, which is a decrease of \$61,011 from last year. The General Fund experienced a decrease of \$68,699 in fund balance which is significantly less than the approximately \$91,000 decreased in the prior year. The primary change in revenue from the prior year was a decrease in state shared revenue, an increase in administration fees collected and a receipt of summer tax reimbursement from the state. The General Fund expenditures remained fairly constant with the prior year.

The balance of the governmental funds had fairly insignificant increases.

**HAYES TOWNSHIP, CLARE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004**

General Fund Budgetary Highlights

The Township's General Fund is used to manage the revenue and expenditures not otherwise appropriated for specific purposes. Budgeted amounts are estimated each year and based on prior year's figures, contracts in house at the time of budget workshops, a review of past history and potential future purchases deemed necessary.

The most significant difference in the General Fund budgeted revenue and the ending actual revenue was primarily due to the reduction in state shared revenue and interest earnings.

Capital Asset and Debt Administration

As discussed earlier, the Township uses the cash basis of accounting therefore recognizing expenditures only when payments are made. Therefore all capital assets are expensed at the time they are paid for and not reported as assets on the statement of the net assets.

The Township has 2 Notes Payable with the Clare County Road Commission. The debt is serviced by special assessments levied against property owners within the special assessment district. Annual payments of \$22,970 are expensed as they are paid. The outstanding principal balance at June 30, 2004 was \$78,232, but is not shown as a liability since the cash basis of accounting is used.

Contacting the Township's Management

The financial report is designed to provide the Township's citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk or Treasurer at the Township Hall.

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
YEAR ENDED JUNE 30, 2004

	Statement I
	Governmental Activities
<u>ASSETS</u>	
Cash and Investments	\$ 926,670
Due from Trust and Agency Fund	<u>1,200</u>
Total Assets	<u>\$ 927,870</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Due to Other Governments	\$ 173
<u>NET ASSETS</u>	
Restricted for Debt Service	28,164
Unrestricted	<u>899,533</u>
Total Net Assets	<u>927,697</u>
Total Liabilities and Net Assets	<u>\$ 927,870</u>

The accompanying notes are an integral part of the financial statements.

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED JUNE 30, 2004

				Statement II
				Governmental
	<u>Program Revenues</u>			<u>Activities</u>
				Net (Expense)
				Revenue and
				Changes in
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Net Assets</u>
		<u>Services</u>	<u>Grants and</u>	
			<u>Contributions</u>	
Functions / Programs				
Primary Government:				
Governmental Activities				
Legislative	\$ 11,411	\$ -	\$ -	\$ (11,411)
General Government	251,164	8,137	1,000	(242,027)
Public Safety	57,885	4,900		(52,985)
Public Works	465,904	238,739		(227,165)
Recreation and Culture	103,005	14,274		(88,731)
Highways and Streets	57,000	-		(57,000)
Other Functions	85,904	-		(85,904)
Debt Service	<u>22,970</u>	<u>32,865</u>	<u>-</u>	<u>9,895</u>
Total Governmental Activities	1,055,243	298,915	1,000	(755,328)
General Revenues:				
Property Taxes				305,517
Revenue Sharing				377,226
Interest and Dividends				8,341
Other				<u>3,233</u>
Total General Revenues				<u>694,317</u>
Changes in Net Assets				(61,011)
Net Assets - July 1				<u>988,708</u>
Net Assets - June 30				<u><u>\$ 927,697</u></u>

The accompanying notes are an integral part of the financial statements.

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

						Statement III
	General Fund	Municipal Street Fund	Rubbish Fund	Gypsy Moth Fund	Township Improvement Fund	Total
<u>ASSETS</u>						
Cash and Investments	\$ 550,926	\$ 223,667	\$ -	\$ 16,817	\$ 135,260	\$ 926,670
Due from Trust and Agency Fund	<u>1,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,200</u>
 Total Assets	 <u>\$ 552,126</u>	 <u>\$ 223,667</u>	 <u>\$ -</u>	 <u>\$ 16,817</u>	 <u>\$ 135,260</u>	 <u>\$ 927,870</u>
<u>LIABILITIES AND FUND EQUITY</u>						
<u>LIABILITIES</u>						
Due to Other Governments	\$ 173	\$ -	\$ -	\$ -	\$ -	\$ 173
 <u>FUND EQUITY</u>						
Fund Balance:						
Reserved for Debt Service	28,164	-	-	-	-	28,164
Unreserved - Undesignated	<u>523,789</u>	<u>223,667</u>	<u>-</u>	<u>16,817</u>	<u>135,260</u>	<u>899,533</u>
 Total Fund Equity	 <u>551,953</u>	 <u>223,667</u>	 <u>-</u>	 <u>16,817</u>	 <u>135,260</u>	 <u>927,697</u>
 Total Liabilities and Fund Equity	 <u>\$ 552,126</u>	 <u>\$ 223,667</u>	 <u>\$ -</u>	 <u>\$ 16,817</u>	 <u>\$ 135,260</u>	 <u>\$ 927,870</u>

The accompanying notes are an integral part of the financial statements.

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID AND
CHANGES IN CASH BASIS FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2004

Statement IV

	General Fund	Municipal Street Fund	Rubbish Fund	Gypsy Moth Fund	Township Improvement Fund	Total
<u>REVENUE COLLECTED</u>						
Taxes	\$ 64,607	\$ 64,024	\$ -	\$ 135,173	\$ -	\$ 263,804
Administrative Fee on Property Tax Collections	26,228	-	-	-	-	26,228
Summer Tax Reimbursement	15,485	-	-	-	-	15,485
Special Assessments	32,865	-	180,127	-	-	212,992
Licenses and Permits	4,900	-	-	-	-	4,900
Intergovernmental Revenue	377,226	-	-	-	-	377,226
Charges for Services	7,429	-	-	-	-	7,429
Interest and Dividend Earnings	7,985	179	51	14	112	8,341
Rents and Royalties	73,594	-	-	-	-	73,594
Donations - Private Sources	1,000	-	-	-	-	1,000
Other	3,233	-	-	-	-	3,233
TOTAL REVENUE COLLECTED	614,552	64,203	180,178	135,187	112	994,232
<u>EXPENDITURES PAID</u>						
Legislative	11,411	-	-	-	-	11,411
General Government	251,164	-	-	-	-	251,164
Public Safety	57,885	-	-	-	-	57,885
Public Works	122,724	-	208,366	134,814	-	465,904
Recreation and Culture	103,005	-	-	-	-	103,005
Highways and Streets	-	57,000	-	-	-	57,000
Other Functions	85,904	-	-	-	-	85,904
Debt Service	22,970	-	-	-	-	22,970
TOTAL EXPENDITURES PAID	655,063	57,000	208,366	134,814	-	1,055,243
EXCESS REVENUE COLLECTED OVER (UNDER)						
EXPENDITURES PAID	(40,511)	7,203	(28,188)	373	112	(61,011)
<u>OTHER FINANCING SOURCES (USES)</u>						
Operating Transfer Out to Other Funds	(28,188)	-	-	-	-	(28,188)
Operating Transfer In from Other Funds	-	-	28,188	-	-	28,188
TOTAL OTHER FINANCING SOURCES (USES)	(28,188)	-	28,188	-	-	-
EXCESS REVENUE COLLECTED AND OTHER						
FINANCING SOURCES OVER (UNDER)						
EXPENDITURES PAID AND OTHER FINANCING						
USES	(68,699)	7,203	-	373	112	(61,011)
CASH BASIS FUND BALANCE - JULY 1	620,652	216,464	-	16,444	135,148	988,708
CASH BASIS FUND BALANCE - JUNE 30	\$ 551,953	\$ 223,667	\$ -	\$ 16,817	\$ 135,260	\$ 927,697

The accompanying notes are an integral part of the financial statements.

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	Statement V	
	Lake Improvement Fund	Current Property Tax Collection Fund
<u>ASSETS</u>		
Cash in Checking	\$ 45,953	\$ 6,001
Change Fund	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 45,953</u></u>	<u><u>\$ 6,001</u></u>
<u>LIABILITIES</u>		
Due to General Fund	\$ -	\$ 1,200
Due to Sutherland Lake Association	18,217	-
Due to Little Long Lake Association	25,495	-
Due to Cranberry Lake Association	2,055	-
Due to Budd Lake Association	186	-
Undistributed Receipts	<u>-</u>	<u>4,801</u>
TOTAL LIABILITIES	<u><u>\$ 45,953</u></u>	<u><u>\$ 6,001</u></u>

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	Statement VI	
	Lake Improvement Fund	Current Property Tax Collection Fund
<u>ADDITIONS</u>		
Collections:		
Property Taxes and Special Assessments	\$ 70,442	\$ 2,230,642
Investment Income:		
Interest	<u>-</u>	<u>203</u>
Total Additions	70,442	2,230,845
<u>Deductions</u>		
Disbursements:		
Distributed Taxes and Special Assessments	<u>92,566</u>	<u>2,227,390</u>
Change in Net Assets	(22,124)	3,455
Net Assets - July 1	<u>68,077</u>	<u>2,546</u>
Net Assets - June 30	<u><u>\$ 45,953</u></u>	<u><u>\$ 6,001</u></u>

The accompanying notes are an integral part of the financial statements.

HAYES TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Statement VII

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hayes Township is a regular law Michigan Township with a population in excess of 4,000 people. The Township is governed by a five-member board of officials, elected by the Township electorate.

A. FINANCIAL REPORTING ENTITY

In evaluating how to define the government, for financial reporting purposes, management has considered all potential agencies and organizations. The decision to include a potential agency or organization in the reporting entity was made by applying the criteria set for by the Governmental Accounting Standards Board (GASB) Statement 14. Generally, component units are legally separate organizations for which the elected officials of the Township are financially accountable. Financial accountability is determined by the Township's ability to impose its will on the component unit, as well as the unit's significance regarding the operational and financial relationship with the Township. Based upon the application of this criteria, we found no other units that should be classified as component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on the fees and charges for support. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported on the cash basis of accounting. Revenues are recorded only when collected and expenditures are recorded only when paid.

The governmental fund financial statements are also reported on the cash basis of accounting and therefore revenues are recorded only when collected and expenditures are recorded only when paid.

HAYES TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Statement VII

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

The Township reports the following major governmental funds:

The General Fund in the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Municipal Street Fund is a Special Revenue Fund that receives an extra voted millage and is used to account for street projects for which the Township shares a portion of the costs.

The Rubbish Fund is a Special Revenue Fund that receives special assessments used to pay for trash removal activities.

The Gypsy Moth Fund is a Special Revenue Fund that receives an extra voted millage and is used to account for the spraying for gypsy moths.

The Township Improvement Fund is a Special Revenue Fund used to fund future Township improvements.

Additionally, the Township reports the following fund types:

Agency funds are used to account for assets held by the Township acting as an agent for individuals, private organizations, other governments, or funds. These funds are custodial in nature and do not involve measurement of the results of operation.

D. CASH AND INVESTMENTS

The General, Municipal Street, Gypsy Moth, Rubbish, Township Improvement, and Lake Improvement Funds of Hayes Township share in the Business Indexed Checking held at a local financial institution. It is possible, therefore, that at certain times during the fiscal year some Funds may have negative account balances. This represents a type of temporary interfund borrowing rather than being indicative of cash overdrafts.

E. FIXED ASSETS

Fixed Asset purchases are recorded as capital outlay expenditures in the General and Special Revenue Funds at the time of purchase.

F. LONG-TERM DEBT

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources when received and payment of principal and interest are reported as expenditures when paid.

G. RESERVATIONS AND FUND BALANCE

Reservations of fund balance are established to identify the existence of assets that are legally restricted to a future use or the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure. These include such assets as long-term advances to other funds or entities and prepaid expenditures.

**HAYES TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004**

Statement VII

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. PROPERTY TAXES

Hayes Township levies a millage of 0.8058 mills for general operations, 0.8058 mills for municipal street improvement, and 1.7000 mills for gypsy moth spraying.

The Township property tax is levied on December 1. Taxes are payable on a current basis from December 1 to February 28, at which point they become delinquent.

Current and delinquent real property taxes are recorded as revenue in the year of levy. Clare County, the county in which the Township of Hayes is located, has a delinquent tax revolving fund whereby the County pays the Township for its delinquent real property taxes. It then becomes the County's responsibility to collect these delinquent taxes from the various taxpayers. Delinquent personal property taxes are considered immaterial and are recognized as revenue in the year collected.

I. FRINGE BENEFITS

The Township's employees are covered by worker's compensation insurance and social security. Each of the elected officials and full-time employees also receive one or more of health, pension, and life insurance benefits.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with the basis of accounting utilized by the Township for the general fund. All annual appropriations lapse at fiscal year end.

The budget document presents information at the line item level. The legal level of budgetary control adopted by the board (i.e. the level at which expenditures may not legally exceed appropriations) is the fund level for the general fund and all special revenue funds. State law requires the Township to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budgets during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amount appropriated based on the level of control exercised over the adopted budget. Budgets are adopted on a fund level for all funds. Disclosure of all unfavorable appropriation variances based on the level of control exercised over the adopted budget is as follows:

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
Rubbish Fund	\$ 208,100	\$ 208,366	\$ 266

HAYES TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Statement VII

NOTE 3 - CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations.

Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States; repurchase agreements consisting of bonds, securities, and other obligations of the United States; bankers acceptances of United States banks; obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service; commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company act of 1940, with the authority to purchase only investments by a public corporation; obligations described above if purchased through an inter-local agreement under the Urban Cooperations Act of 1967, PA 7, MCL 124.501 to 124.512; investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118, and the investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Township's deposits are in accordance with statutory authority.

At year end, the carrying value of cash and investments held by Hayes Township is as follows:

Carrying Value

Petty Cash and Change Fund	\$ 450
Deposits with Financial Institutions:	
Cash in Checking	778,174
Certificates of Deposit	<u>200,000</u>
Total Deposits with Financial Institutions	<u>978,174</u>
Total Cash and Investments	<u>\$ 978,624</u>

Deposits with Financial Institutions

	<u>Insured FDIC</u>	<u>Uninsured</u>	<u>Total</u>
	<u>Carrying Amounts</u>		
Cash in Checking	\$ 260	\$ 55,594	\$ 55,854
Money Market	100,000	521,757	621,757
Business Indexed Checking	100,000	563	100,563
Certificates of Deposit	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Total Deposits	<u>\$ 300,260</u>	<u>\$ 677,914</u>	<u>\$ 978,174</u>

HAYES TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Statement VII

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

	<u>Bank Balances</u>		
Cash in Checking	\$ 3,055	\$ 94,569	\$ 97,624
Money Market	100,000	521,757	621,757
Business Indexed Checking	100,000	563	100,563
Certificates of Deposit	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Total Deposits	<u>\$ 303,055</u>	<u>\$ 716,889</u>	<u>\$ 1,019,944</u>

Due to varying cash flows, the Township's deposits with financial institutions were higher during the year than at year end. Therefore, there may have been more deposits that were uninsured at points during the year.

NOTE 4 - INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

The following is a listing of the interfund receivable and payable balances as of June 30, 2004:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Fund	<u>\$ 1,200</u>

The following is a listing of interfund transfers for the year ended June 30, 2004:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	
General Fund	Rubbish Fund	<u>\$ 28,188</u>

NOTE 5 - FUND EQUITY - RESERVED FUND BALANCE

Reservations

The Fund Balance in the General Fund has been reserved for the amounts collected on Special Assessments which are for future payments of the assessment payable to the County. The amount available for this debt at June 30, 2004 was \$28,164.

NOTE 6 - AGENCY FUND TYPE - LAKE IMPROVEMENT FUND

The property tax levies beginning in December 1985 include special assessments levied against the benefited taxpayers for the purpose of making improvements to various area lakes. The improvements are being made by the lake associations. The Township is acting as custodian for the special assessment monies (transferred from the Current Property Tax Collections Fund to the Lake Improvement Fund) until such time as they are spent by the associations.

HAYES TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Statement VII

NOTE 7 - PENSION INVESTMENT PLAN

Elected officials and full-time employees are eligible (after three months of employment) for participation in the Township's Pension Investment Plan. Contributions to the Pension Investment Plan, which is administered by Manufacturer's Life Insurance Company, are equal to 15% of the gross annual salary of each official or employee.

For the year ended June 30, 2004, the Township made its required contribution of \$30,808. The value of the plan's assets and vested benefits as of June 30, 2004 is \$125,591.

NOTE 8 - LONG-TERM DEBT

The Township has two Notes Payable with Clare County Road Commission for road projects. Debt Service is financed by a special assessment levied against property owners within the special assessment district. Revenues from special assessments and expenditures to pay bond principal and interest are reported in the General Fund. Since the cash basis of accounting is used, the liability is not recorded on the books of the Township, but is disclosed as follows:

Notes Payable outstanding at June 30, 2004 and Debt Service requirements to maturity were as follows:

Lakeview/Lansing Road Improvements

<u>Date of Issue</u>	<u>Authorized Amount</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Outstanding Principal Balance</u>
July 24, 1996	\$ 127,900	6.00%	08/01/06	\$ 34,227
<u>Year Ended June 30,</u>		<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005		2,054	10,752	12,806
2006		1,408	11,394	12,802
2007		724	12,081	12,805
		<u>\$ 4,186</u>	<u>\$ 34,227</u>	<u>\$ 38,413</u>

Oak Leaf Subdivision Road Improvements

<u>Date of Issue</u>	<u>Authorized Amount</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Outstanding Principal</u>
August 20, 1998	\$ 81,804	5.00%	08/01/08	\$ 44,005
<u>Year Ended June 30,</u>		<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005		2,200	7,964	10,164
2006		1,802	8,362	10,164
2007		1,384	8,780	10,164
2008		945	9,219	10,164
2009		484	9,680	10,164
		<u>\$ 6,815</u>	<u>\$ 44,005</u>	<u>\$ 50,820</u>

HAYES TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2004

Statement VII

NOTE 8 - LONG-TERM DEBT (Continued)

The Township had outstanding special assessments receivable from residents which will be collected in future years. The special assessment receivable at June 30, 2004 was \$57,395. This Special Assessment is to provide the proceeds to pay off the Notes Payable to the County Road Commission.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Township has entered into an assessing contract with an outside assessing agency. The agency is owned and operated by a deputy Township official. The contract is calculated on a per parcel basis at \$6.00 per parcel for a total of \$35,184. As of June 30, 2004 the Township had paid the contract in full.

REQUIRED SUPPLEMENTAL INFORMATION

**HAYES TOWNSHIP, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON - GENERAL FUND
YEAR ENDED JUNE 30, 2004**

Schedule 1

	Original Budget	Final Amended Budget	Actual
<u>REVENUE COLLECTED</u>			
Taxes			\$ 64,607
Administrative Fee on Property Tax Collections			26,228
Summer Tax Reimbursement			15,485
Special Assessments			32,865
Licenses and Permits			4,900
Intergovernmental Revenue			377,226
Charges for Services			7,429
Interest and Dividend Earnings			7,985
Rents and Royalties			73,594
Donations - Private Sources			1,000
Other			<u>3,233</u>
 TOTAL REVENUE COLLECTED	 821,820	 821,820	 614,552
<u>EXPENDITURES PAID</u>			
Legislative			11,411
General Government			251,164
Public Safety			57,885
Public Works			122,724
Recreation and Culture			103,005
Other Functions			85,904
Debt Service			<u>22,970</u>
 TOTAL EXPENDITURES PAID	 800,145	 800,145	 655,063
 EXCESS REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID	 21,675	 21,675	 (40,511)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfer Out to Other Funds	<u>-</u>	<u>-</u>	<u>(28,188)</u>
 EXCESS REVENUE COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	 21,675	 21,675	 (68,699)
 CASH BASIS FUND BALANCE - JULY 1	 <u>556,328</u>	 <u>667,327</u>	 <u>620,652</u>
 CASH BASIS FUND BALANCE - JUNE 30	 <u>\$ 578,003</u>	 <u>\$ 689,002</u>	 <u>\$ 551,953</u>

**HAYES TOWNSHIP, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON - MUNICIPAL STREET FUND
YEAR ENDED JUNE 30, 2004**

Schedule 2

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<u>REVENUE COLLECTED</u>			
Taxes			\$ 64,024
Interest and Dividend Earnings			<u>179</u>
 TOTAL REVENUE COLLECTED	 137,690	 137,690	 64,203
<u>EXPENDITURES PAID</u>			
Highways and Streets	<u>90,000</u>	<u>90,000</u>	<u>57,000</u>
 EXCESS REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID	 47,690	 47,690	 7,203
 CASH BASIS FUND BALANCE - JULY 1	 <u>216,464</u>	 <u>216,464</u>	 <u>216,464</u>
 CASH BASIS FUND BALANCE - JUNE 30	 <u>\$ 264,154</u>	 <u>\$ 264,154</u>	 <u>\$ 223,667</u>

**HAYES TOWNSHIP, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON - RUBBISH FUND
YEAR ENDED JUNE 30, 2004**

Schedule 3

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<u>REVENUE COLLECTED</u>			
Special Assessments			\$ 180,127
Interest and Dividend Earnings			<u>51</u>
 TOTAL REVENUE COLLECTED	 208,600	 208,600	 180,178
<u>EXPENDITURES PAID</u>			
Public Works	<u>208,100</u>	<u>208,100</u>	<u>208,366</u>
 EXCESS REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID	 500	 500	 (28,188)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfer In from Other Funds	<u>122,000</u>	<u>122,000</u>	<u>28,188</u>
 EXCESS REVENUE COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	 122,500	 122,500	 -
 CASH BASIS FUND BALANCE - JULY 1	 <u>62,786</u>	 <u>(46,586)</u>	 <u>-</u>
 CASH BASIS FUND BALANCE - JUNE 30	 <u>\$ 185,286</u>	 <u>\$ 75,914</u>	 <u>\$ -</u>

**HAYES TOWNSHIP, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON - GYPSY MOTH FUND
YEAR ENDED JUNE 30, 2004**

Schedule 4

	Original Budget	Final Amended Budget	Actual
<u>REVENUE COLLECTED</u>			
Taxes			\$ 135,173
Interest and Dividend Earnings			<u>14</u>
 TOTAL REVENUE COLLECTED	 157,714	 157,714	 135,187
<u>EXPENDITURES PAID</u>			
Public Works	<u>157,000</u>	<u>157,000</u>	<u>134,814</u>
 EXCESS REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID	 714	 714	 373
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfer In from Other Funds	<u>5,000</u>	<u>5,000</u>	<u>-</u>
 EXCESS REVENUE COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	 5,714	 5,714	 373
 CASH BASIS FUND BALANCE - JULY 1	 <u>16,444</u>	 <u>16,444</u>	 <u>16,444</u>
 CASH BASIS FUND BALANCE - JUNE 30	 <u>\$ 22,158</u>	 <u>\$ 22,158</u>	 <u>\$ 16,817</u>

**HAYES TOWNSHIP, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON - TOWNSHIP IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2004**

Schedule 5

	Original Budget	Final Amended Budget	Actual
<u>REVENUE COLLECTED</u>			
Interest and Dividend Earnings	\$ 2,500	\$ 2,500	\$ 112
<u>EXPENDITURES PAID</u>	-	-	-
EXCESS REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID	2,500	2,500	112
CASH BASIS FUND BALANCE - JULY 1	<u>135,148</u>	<u>135,148</u>	<u>135,148</u>
CASH BASIS FUND BALANCE - JUNE 30	<u>\$ 137,648</u>	<u>\$ 137,648</u>	<u>\$ 135,260</u>

OTHER SUPPLEMENTAL INFORMATION

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
YEAR ENDED JUNE 30, 2004

Schedule 6

	Balance 7/1/2003	Additions	Deletions	Balance 6/30/2004
<u>BUILDINGS AND IMPROVEMENTS</u>				
<u>Township Hall</u>				
1973 Remodeling	\$ 17,000	\$ -	\$ -	\$ 17,000
Additions and Improvements	42,936	-	-	42,936
Land Improvements	23,909	-	-	23,909
Total Township Hall	83,845	-	-	83,845
<u>Community Building</u>				
Building	134,613	-	-	134,613
Additions and Improvements	37,014	-	-	37,014
Land Improvements	24,201	-	-	24,201
Total Community Building	195,828	-	-	195,828
<u>Civic Center</u>				
Building	124,564	-	-	124,564
Additions and Improvements	69,277	-	-	69,277
Land Improvements	28,489	-	-	28,489
Total Civic Center	222,330	-	-	222,330
<u>Cemetery Storage Building</u>				
Building	3,082	-	-	3,082
Gazebo	746	-	-	746
Additions and Improvements	665	-	-	665
Total Cemetery Storage Building	4,493	-	-	4,493
<u>Park Storage Building</u>				
Building	6,151	-	-	6,151
Pavilion	16,500	-	-	16,500
Outhouse	-	3,300	-	3,300
Additions and Improvements	229	-	-	229
Land Improvements	14,004	-	-	14,004
Total Park Storage Building	36,884	3,300	-	40,184
TOTAL BUILDINGS AND IMPROVEMENTS	543,380	3,300	-	546,680
<u>LAND AND IMPROVEMENTS</u>				
Paul R. Clark Memorial Park	30,591	-	-	30,591
Park Land and Improvements	7,472	-	-	7,472
Civic Center Land	39,600	-	-	39,600
Sutherland Lake Land	2,800	-	-	2,800
Future Expansion Land	74,024	-	-	74,024
TOTAL LAND AND IMPROVEMENTS	154,487	-	-	154,487

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
YEAR ENDED JUNE 30, 2004

Schedule 6

	Balance 7/1/2003	Additions	Deletions	Balance 6/30/2004
<u>EQUIPMENT</u>				
Cemetery Equipment	\$ 10,143	\$ -	\$ -	\$ 10,143
Voting Machines	2,600	-	-	2,600
Safe	300	-	-	300
File Cabinets	5,107	-	-	5,107
Typewriters	2,863	-	-	2,863
Lawn Mowers	835	-	-	835
Riding Lawn Mowers	850	-	-	850
Grass Trimmer	130	-	-	130
Copiers	9,401	-	-	9,401
Desks	552	-	-	552
Property Card Assessment System	50,480	-	-	50,480
Calculators	1,149	-	-	1,149
Stacking Chairs and Chair Trucks	7,367	-	-	7,367
Cleaning Equipment	4,509	-	-	4,509
Floor Machine	510	-	-	510
Kitchen Equipment	4,966	-	-	4,966
Coat Racks	303	-	-	303
Registration Books	750	-	-	750
Folding Tables	1,587	-	-	1,587
Office Chairs	371	-	-	371
Storage Cabinet	438	-	-	438
Community Center Equipment	22,013	942	-	22,955
Fans	580	-	-	580
Typing Table	71	-	-	71
Park Equipment	17,604	-	-	17,604
Neighborhood Watch Signs	1,263	-	-	1,263
Postage Machine	8,980	-	-	8,980
Message Board	1,497	-	-	1,497
Sports Equipment	10,229	-	-	10,229
Office Equipment	784	-	-	784
Wooden Ladder	285	-	-	285
Snow Blower	1,620	-	-	1,620
Chain Saw	175	-	-	175
Refrigerators	2,418	-	-	2,418
Computer Hardware/Software	95,502	-	-	95,502
Wheelbarrow	60	-	-	60
Telephone System	3,153	756	-	3,909
Barrel Stove	150	-	-	150
Blood Pressure Cuff	27	-	-	27
1980 GMC Pickup	-	-	-	-
Water Coolers	1,100	-	-	1,100
Miscellaneous Equipment	8,034	-	-	8,034
Playground Equipment	7,017	-	-	7,017
1990 Chevrolet Truck/Dumpbox and Snowplow	12,811	-	-	12,811
Frost Remover	630	-	-	630

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
YEAR ENDED JUNE 30, 2004

Schedule 6

	Balance 7/1/2003	Additions	Deletions	Balance 6/30/2004
<u>EQUIPMENT</u> (Continued)				
Trailer	\$ 900	\$ -	\$ -	\$ 900
1999 Jeep Cherokee	9,200	-	-	9,200
2003 Chevy Silverado	28,565	-	-	28,565
John Deere Tractor	19,216	-	-	19,216
Computer Server and Software	5,190	1,030	-	6,220
Exercise Equipment	5,000	-	-	5,000
Marksman Carpet Cleaner	-	1,875	-	1,875
20 Hp Tractor	-	2,239	-	2,239
	<u>369,285</u>	<u>6,842</u>	<u>-</u>	<u>376,127</u>
TOTAL EQUIPMENT				
	<u>369,285</u>	<u>6,842</u>	<u>-</u>	<u>376,127</u>
TOTAL GENERAL FIXED ASSETS	<u>\$ 1,067,152</u>	<u>\$ 10,142</u>	<u>\$ -</u>	<u>\$ 1,077,294</u>

HAYES TOWNSHIP, CLARE COUNTY
COMPARATIVE SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
GENERAL FUND
YEARS ENDED JUNE 30, 2004 AND 2003

	Schedule 7	
	<u>2004</u>	<u>2003</u>
<u>LEGISLATIVE</u>		
Township Board		
Fees and Per Diem	\$ 3,830	\$ 3,600
Comp in Lieu	6,067	-
Office Supplies and Postage	(722)	1,898
Operating Supplies	-	753
Repairs and Maintenance	-	362
Printing and Publishing	-	880
Books, Magazines, and Periodicals	-	18
Memberships and Dues	2,236	2,365
Miscellaneous	-	1,236
Employee Vacation Pay	-	2,346
Contracted Services	-	1,575
Capital Outlay	-	1,093
Transportation	-	2,800
Equipment Rental	-	1,140
	<hr/>	<hr/>
TOTAL LEGISLATIVE	11,411	20,066
<u>GENERAL GOVERNMENT</u>		
Supervisor		
Salaries and Wages	23,570	18,225
Comp in Lieu	6,067	-
Office Supplies and Postage	194	37
Education and Training	240	150
Contracted Services	2,013	2,990
Repairs and Maintenance	66	
Capital Outlay	890	1,338
	<hr/>	<hr/>
Total Supervisor	33,040	22,740
Elections		
Salaries and Wages	-	4,540
Operating Supplies	-	198
Printing and Publishing	-	130
Capital Outlay	-	-
	<hr/>	<hr/>
Total Elections	-	4,868
Independent Accounting and Auditing		
Auditing Fees	4,180	4,126

HAYES TOWNSHIP, CLARE COUNTY
COMPARATIVE SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
GENERAL FUND
YEARS ENDED JUNE 30, 2004 AND 2003

	Schedule 7	
	<u>2004</u>	<u>2003</u>
<u>GENERAL GOVERNMENT (Continued)</u>		
Assessor		
Office Supplies	\$ 1,440	\$ 1,901
Postage	2,972	2,296
Contracted Services	37,202	38,174
Printing and Publishing	860	-
Education and Training	75	-
Repairs and Maintenance	66	-
Capital Outlay	<u>1,032</u>	<u>1,175</u>
Total Assessor	43,647	43,546
Attorney		
Legal Fees	2,523	3,691
Clerk		
Salaries and Wages	16,518	15,525
Salaries and Wages - Deputy Clerk	7,503	8,129
Comp in Lieu	12,133	-
Holiday/Vacation	1,108	-
Postage	892	560
Operating Supplies	1,070	1,379
Education and Training	90	20
Repairs and Maintenance	66	-
Contracted Services	6,072	2,990
Capital Outlay	-	2,817
Printing and Publishing	746	82
Miscellaneous	<u>-</u>	<u>-</u>
Total Clerk	46,198	31,502
Board of Review		
Fees and Per Diem	450	800
Treasurer		
Salaries and Wages	29,734	18,112
Salaries and Wages - Deputy Treasurer	10,083	3,096
Comp in Lieu	9,628	-
Holiday/Vacation	297	-
Postage	5,730	3,066
Operating Supplies	2,227	1,231
Education & Training	-	30
Contracted Services	5,564	2,990
Repairs and Maintenance	126	-
Capital Outlay	417	1,823
Printing and Publishing	715	92
Miscellaneous	<u>-</u>	<u>-</u>
Total Treasurer	64,521	30,440

HAYES TOWNSHIP, CLARE COUNTY
COMPARATIVE SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
GENERAL FUND
YEARS ENDED JUNE 30, 2004 AND 2003

	Schedule 7	
	<u>2004</u>	<u>2003</u>
<u>GENERAL GOVERNMENT</u> (Continued)		
Building and Grounds		
Salaries and Wages	\$ 20,105	\$ 2,483
Holiday/Vacation	725	-
Operating Supplies	1,473	321
Contractual Services	52	-
Communications	5,507	5,976
Public Utilities	2,926	2,608
Capital Outlay	3,985	48,109
Printing and Publishing	-	21
Memberships and Dues	183	-
Repairs and Maintenance	<u>11,931</u>	<u>943</u>
Total Building and Grounds	46,887	60,461
Cemetery		
Salaries and Wages	9,405	8,262
Operating Supplies	126	293
Contracted Services	-	1,426
Repairs and Maintenance	187	1,111
Capital Outlay	<u>-</u>	<u>324</u>
Total Cemetery	<u>9,718</u>	<u>11,416</u>
TOTAL GENERAL GOVERNMENT	251,164	213,590
<u>PUBLIC SAFETY</u>		
Fire Protection		
Contractual Services	39,714	37,787
Zoning Administration		
Salaries and Wages	12,486	-
Supplies	165	-
Education and Training	<u>65</u>	<u>-</u>
Total Zoning Administration	12,716	-
Zoning Board of Appeals		
Salaries and Wages	1,856	2,080
Printing and Publishing	241	218
Education & Training	<u>-</u>	<u>-</u>
Total Zoning Board of Appeals	2,097	2,298

HAYES TOWNSHIP, CLARE COUNTY
COMPARATIVE SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
GENERAL FUND
YEARS ENDED JUNE 30, 2004 AND 2003

	Schedule 7	
	<u>2004</u>	<u>2003</u>
<u>PUBLIC SAFETY</u> (Continued)		
Planning Commission		
Salaries and Wages	\$ 2,873	\$ 3,160
Office Supplies	108	141
Contracted Services	-	11,726
Printing and Publishing	377	282
Education & Training	<u>-</u>	<u>420</u>
Total Planning Commission	3,358	15,729
Blight Enforcement Officer		
Salaries and Wages	-	4,405
Ordinance Enforcement		
Salaries and Wages	-	4,201
Operating Supplies	<u>-</u>	<u>75</u>
Total Ordinance Enforcement	<u>-</u>	<u>4,276</u>
TOTAL PUBLIC SAFETY	57,885	64,495
<u>PUBLIC WORKS</u>		
Highways and Streets		
Contracted Services	13,040	22,396
Street Lighting		
Public Utilities	918	918
Sanitation		
Contracted Services	<u>108,766</u>	<u>102,952</u>
TOTAL PUBLIC WORKS	122,724	126,266
<u>RECREATION AND CULTURE</u>		
Parks and Recreation		
Salaries and Wages	6,617	3,524
Operating Supplies	83	4
Repairs and Maintenance	673	168
Communications	259	295
Public Utilities	417	433
Contracted Services	-	576
Capital Outlay	<u>3,436</u>	<u>544</u>
Total Parks and Recreation	11,485	5,544

HAYES TOWNSHIP, CLARE COUNTY
COMPARATIVE SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
GENERAL FUND
YEARS ENDED JUNE 30, 2004 AND 2003

	Schedule 7	
	<u>2004</u>	<u>2003</u>
<u>RECREATION AND CULTURE</u> (Continued)		
Library		
Contracted Services	\$ 20,893	\$ 19,664
Community Building		
Salaries and Wages	-	7,697
Operating Supplies	923	837
Communications	725	964
Public Utilities	9,844	9,868
Repairs and Maintenance	2,493	1,148
Miscellaneous	-	227
Contracted Services	-	576
Capital Outlay	<u>3,377</u>	<u>809</u>
Total Community Building	17,362	22,126
Civic Center		
Salaries and Wages	15,624	6,289
Comp in Lieu	6,067	-
Holiday/Vacation	548	-
Operating Supplies	2,952	3,294
Contracted Services	-	576
Communications	389	667
Printing and Publishing	219	206
Public Utilities	10,061	9,544
Repairs and Maintenance	3,462	3,644
Miscellaneous	-	117
Capital Outlay	<u>1,691</u>	<u>23,200</u>
Total Civic Center	41,013	47,537
Facilities and Program		
Salaries and Wages	<u>12,252</u>	<u>13,885</u>
TOTAL RECREATION AND CULTURE	103,005	108,756
<u>OTHER FUNCTIONS</u>		
Fringe Benefits		
Social Security - Township's Share	15,552	12,219
Life Insurance	1,228	-
Hospitalization	22,346	53,047
Pension Plan Contributions	30,808	23,268
Unemployment Expense	60	160
Fringe Benefits	12,987	9,457
Officials Bonds	<u>2,923</u>	<u>1,822</u>
TOTAL OTHER FUNCTIONS	85,904	99,973

HAYES TOWNSHIP, CLARE COUNTY
COMPARATIVE SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
GENERAL FUND
YEARS ENDED JUNE 30, 2004 AND 2003

	Schedule 7	
	<u>2004</u>	<u>2003</u>
<u>DEBT SERVICE</u>		
Debt Payments		
Principal Payments	\$ 17,728	\$ 16,251
Interest Payments	<u>5,242</u>	<u>6,719</u>
 TOTAL DEBT SERVICE	 <u>22,970</u>	 <u>22,970</u>
 TOTAL GENERAL FUND EXPENDITURES	 <u>\$ 655,063</u>	 <u>\$ 656,116</u>



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COMPANY P.C.

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

January 14, 2005

Township Board
Hayes Township
Clare County, Michigan

We have recently completed our audit of the financial statements of Hayes Township, Clare County for the year ended June 30, 2004. As required by auditing standards generally accepted in the United States of America, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

We conducted our audit of the financial statements of Hayes Township in accordance with auditing standards generally accepted in the United States of America. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

Township Board
Hayes Township
Clare County, Michigan

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

Auditing standards call for us to inform you regarding the initial selection of, and changes in, significant accounting policies or their application. In addition, we are expected to inform you about methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

The significant accounting policies are described in Note 1 to the financial statements. Other information related to the implementation of GASB 34 is discussed further in the Other Communications Section.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

Audit adjustments necessary to reclassify some transactions were made to the Township's records, and copies of these adjustments were forwarded to the Township clerk.

The Township elected to do a full implementation of the GASB 34 reporting format while continuing to use the cash basis of accounting. Therefore the Management's Discussion and Analysis, government-wide statements and budgetary comparison schedules for each major fund have been included in the financial statements. Since the Township has remained cash basis, capital assets and long term debt are not reported on the statement of net assets.

A key member of management became ill during the course of our audit fieldwork. This coupled with various health issues we experienced in our own office contributed to the delay in issuing the financial statements.

It was also noted while entering beginning balances that the Township's accounting system provided inaccurate reports that caused an out of balance situation that was later rectified.

Township Board
Hayes Township
Clare County, Michigan

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

In planning and performing our audit of the financial statements of Hayes Township, for the year ended June 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

Reportable Conditions (Material Weaknesses)

DISBURSEMENTS

During capital outlay expenditure testing it was noted that one payment was made to purchase a tractor from a home improvement retailer and no invoice was present. Invoices should be present for all purchases.

Other Conditions

APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. We noted during our audit that the Township incurred expenditures in excess of the amount appropriated as noted in Note # 2 in the Notes to the Financial Statements.

The budget should be amended during the year to reflect expenditures expected to be made in excess of the original budget amounts. These amendments must be approved by the Township Board and documented in the Board's meeting minutes.

Copies of the originally approved budget must be attached to the minutes and copies of each revised budget should be retained in order to properly trace the amendments.

Township Board
Hayes Township
Clare County, Michigan

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/
EFFICIENCY (CONTINUED)

Other Conditions (Continued)

DISBURSEMENTS

During capital outlay expenditure testing it was noted that one payment was made to purchase a tractor from a home improvement retailer and no invoice was present. Invoices should be present for all purchases.

INVOICE CANCELLATION

During disbursement testing it was noted that one of the thirty invoices tested was not properly cancelled. Greater care should be taken to ensure that all invoices are clearly cancelled to reduce the risk of paying the invoice twice.

PROPERTY TAX DISBURSEMENT

Public Act 211, of 1979 mandates that units with a Taxable Value greater than \$15,000,000 must remit to the Schools and the County total taxes collected through the 1st and the 15th day of each month within ten business days after the 1st and 15th day of each month. This applies to the months of December, January, and February. In addition the treasurer must remit at least 90% of the total amount of School and County collections on hand at February 28 (29) within ten business days after the end of February. It was noted that one disbursement was not made within the ten business day requirement.

FINANCIAL OVERSIGHT

The general limitations in a smaller government require that the Township Board Members continue to remain involved in the financial affairs of the Township through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the financial statements, and the independent review of critical functions. This comment is intended to emphasize the importance of this oversight and to remind the board of its continued obligation to perform accordingly.

SUMMARY

We thank the Township personnel for their time and effort given to us during the audit. We look forward to serving the Township in the future as its independent auditor or in any other capacity needed. The conditions mentioned above were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report on the financial statements dated January 14, 2005.

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